DEPARTMENT OF ADMINISTRATION
INTEGRATED BUSINESS INFORMATION SYSTEM
ENTERPRISE RESOURCE PLANNING

AN EVALUATION OF THE PROCESS FOR SELECTING
A SOFTWARE VENDOR

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Introduction

In June, 2005 the Wisconsin Department of Administration (DOA) initiated a process to select an Enterprise Resource Planning System(ERP) as part of the Integrated Business Information System (IBIS) project for the stated purpose of increasing efficiencies in state operations, thus leading to lower costs. In December, 2005 the DOA contracted with Dale Cattanach (hereafter The Independent Evaluator) to provide third party auditor services and evaluation of the process used by DOA for selecting software for the IBIS/ERP.

The Independent Evaluator was selected because of his experience in State government, including Director of the Legislative Fiscal Bureau, Secretary of the Wisconsin Department of Transportation and State Auditor.

In conducting the evaluation The Independent Evaluator reviewed numerous background documents, including the Request for Proposal; met several times with the Project Manager and Procurement Manager; attended vendor demonstrations, including the final meeting with each vendor; and observed all meetings of the Evaluation Committee.

Project Governance

The sponsor of the IBIS/ERP project is the Office of the Secretary of DOA, with day to day administrative direction provided by Deputy Secretary Gina Frank-Reece. Kate Nolan was named Project Manager and Andrea Konik as Procurement Manager. Both hold civil service positions and are recognized as having considerable experience and expertise in their respective areas.

A Project Management Team consisting of DOA and other agency personnel was appointed to assist with planning, documentation and resources.

From the outset, the project relied heavily upon Subject Matter Experts (SMEs) in the functional areas of budget, financial systems, procurement, payroll and human resources. They were selected by management of all larger agencies, and some medium and smaller agencies, to identify business functions and best practices; represent the interests of their agency; and attend vendor demonstrations and provide comments and opinions to the Evaluation Committee.

A seven person Evaluation Committee was selected to assist project management in deciding which vendor best met the criterion "best price for the best fit". Serving on the Evaluation Committee were:

Steve Censky, Deputy State Controller, Office of the State Controller, DOA
Robin Gates, Private Sector
Elaine Gerber, Supervisor, Central Payroll, Office of Executive Budget and Finance, DOA
Kirsten Grinde, Team Leader, Office of Executive Budget and Finance, DOA
Dave Hinrichs, Deputy Chief Information Office, Division of Enterprise Technology, DOA
Jim Langdon, Deputy Administrator, Division of Enterprise Operations, DOA
Jack Lawton, Human Resources Director, Division of Business Management, DOT

Request for Proposal

On October 26, 2005 the DOA issued a Request for Proposal to solicit sealed proposals for an Enterprise Resource Planning (ERP) software package to support the IBIS. The RFP was posted on VendorNet, the State's procurement website. The RFP included several key provisions, among them:
1. proposals received would be scored 50 % on meeting technical requirements; 30% on qualitative demonstration scores, and 20% on cost.
2. only the top scoring proposer in the technical requirements area and those proposers scoring within 10% of the top score would be eligible to proceed to the qualitative demonstration.
3. cost of the proposal was to be submitted in a separate envelope

Three proposals were received in response to the RFP: Lawson, Oracle/PeopleSoft and SAP. Each proposal was electronically scored to determine whether it met the technical requirements of the RFP. Each did and therefore received the 50 points listed in the RFP. The proposers with the second and third scores were within 10 % of the top proposer's score and therefore able to move to the next step, the qualititative demonstration.

Scripted Demonstrations

Each vendor was given two and one-half days to demonstrate its software, using scripts which had been developed by the State. Attending the demonstrations were members of the Project Team; SMEs from the functional areas of budget, finance, procurement, personnel and payroll; members of the Evaluation Committee and the Procurement Manager.

At the beginning of each session the script to be covered during that period was given to those in attendance. SMEs were encouraged to ask technical questions of the vendor and write comments and questions on the script provided, but were cautioned that in raising questions or making comments there should be no reference to what might have been seen in a previous demonstration. Upon completion of a functional area, the vendor was asked to leave the room and the Project Manager led a discussion covering subjects such as whether the demonstration validated the usability of the software and whether it confirmed that it would perform as the vendor had indicated. At the end of the session the scripts were collected by the Procurement Manager and the comments and questions

summarized for the Evaluation Committee. The scripts and the flip charts used in the discussions were retained as part of the procurement history. A specific amount of time was allotted for each segment of a demonstration and the Procurement Manager adhered rigidly to the timelines, thus ensuring that each vendor was treated equally.

At the end of the two and one-half days the Evaluation Committee; the Project Manager and some Project Team Members; and the Procurement Manager met with senior executives of the proposer. The vendor was given 30 minutes to cover whatever it chose during the allotted time, after which the Evaluation Committee members asked questions. Vendor executives were then excused and the Evaluation Committee met to discuss the strengths and weaknesses of the proposal.

Evaluation Committee

In addition to sitting through the demonstrations and meeting briefly at the conclusion of each proposer's presentation, the Evaluation Committee was in frequent communication via email. The Procurement Manager sent to each member a summary of the discussion held at the conclusion of a session, requested comment and feedback, and served as a communications bridge between the Committee and the proposer. For instance, if a Committee member had a question about whether the software demonstrated would perform a particular function, the Procurement Manager would get an answer and report it to all members of the Committee.

The Committee met in early February to discuss the demonstrations and to develop a score for each proposer in the five functional areas demonstrated. A score of 3 was given to the proposal which in the judgment of the Committee best met the criteria of the area, a 2 to the next best, a 1 to the third best and a 0 to a demonstration which the Committee believed was not usable for the State or the proposer failed to validate during the demonstration that it could perform the function. This process led to the following:

Functional Area	SAP	Oracle	Lawson
Accounting	2	3	0
Budget	2	3	1
Procurement	3	2	1*
Human Resources	2	3	1
Payroll	2	3	1
Totals	11	14	4
Percent less than top score	21.43%		71.43%

*Demonstration showed a Beta version of the Lawson product.

Accordingly, the Committee unanimously agreed that only the Oracle PeopleSoft Enterprise Solution proceed to the cost proposal stage and that a request for a Best and Final Offer be made to Oracle USA, Inc. . The Procurement Manager prepared a draft of the final report and circulated it among members, who unanimously approved. The Best and Final Offer from Oracle USA, Inc. was a five year cost of $9.2 million and the inclusion of the UPK Toolset, valued at $1.1 million.

Independent Evaluation

The findings of The Independent Evaluator can be summarized as follows:

- Project plan was well developed and followed

- Project was managed by State employees

- Extensive use of Subject Matter Experts was valuable

- Excellent coordination existed between Project and Procurement Managers

- Evaluation Committee appeared professional and open minded

- Process appeared wide open

- The RFP could have been written more clearly

Project plan was well developed and followed. Early in the process the DOA developed a plan and brought together numerous agency officials and staff in June, 2005 to outline the principles underlying the project, including the key principle that IBIS/ERP is a business project with a technical infrastructure, and that, as such, the "best price for the best fit" approach should control. The quality over price emphasis continued throughout the project.

Project was managed by State employees. Rather than engage outside consultants to manage the project, State employees were in control of all aspects, which had the dual advantages of reducing the overall cost and increasing agency support for the overall effort.

Extensive Use of Subject Matter Experts. More than 150 persons from various agencies were involved in the process. They provided assistance in documenting existing systems and practices; defining and documenting new, standard practices; and developing demonstration scripts. They attended vendor demonstrations and provided valuable comments to the Evaluation Committee.

Coordination between Project and Procurement Managers. A large project such as IBIS/ERP requires constant and close coordination and cooperation between key personnel. Without it, there can be confusion, misunderstanding, and delay, potentially leading to increased cost and wasted opportunity. The two managers met routinely every week, and more frequently if needed, to monitor progress and take appropriate steps to make changes, if needed.

Professional Evaluation Committee. The Evaluation Committee consisted of persons with considerable experience in State government and one private sector member. The private sector member had spent many years in Wisconsin government, and in the private sector had experience acquiring a large and complex Enterprise Resource Planning system. Each Committee member took very seriously the responsibility of the Committee, attended vendor demonstrations, carefully weighed the comments and recommendations of the SMEs and participated in the discussion when the Committee met separately. The members appeared at all times to exhibit an open mind, and at no time appeared to have a personal agenda. The Committee was unanimous in support of the process and its recommendation that only the Oracle PeopleSoft Enterprise Solution proceed to the final stage.

Open Process. At no time in the entire process observed by the Independent Evaluator was any attempt made to show preference or bias towards one vendor over another. Throughout, the stated objective was to obtain the software that would best meet the State's needs. Evaluation Committee members and others were urged to have no contact with any vendor and to report to the Procurement Manager any instance of a vendor contact. Neither was there observed any evidence of the Executive Office or DOA Secretary's Office attempting to exert its influence over the process or selection of a vendor.

RFP. The RFP was written in a way that could lead some to argue one provision was ambiguous, thus raising the possibility an unsuccessful vendor could appeal the recommendation of the Evaluation Committee. The potential ambiguity in the RFP is found in Section 3.3 of The RFP. The pertinent section reads as follows:

> "Following the preliminary evaluation for compliance with the mandatory requirements detailed in Section 5, proposals will be evaluated in three stages successively (Technical Requirements, Qualitative Demonstrations, and Cost). Only the top scoring Proposer in the T*echnical Requirements* area and those Proposers scoring within 10% of the top score may proceed to the Qualitative Demonstration….[emphasis added]Only those Proposers who successfully complete the qualitative demos will have their cost proposal opened and receive a final score based on the complete evaluation process".

The "10 % rule" is mentioned specifically only for the Technical Requirements area. All three of the vendors successfully completed the Technical Requirements. Two of the vendors successfully completed the qualitative demonstrations, although comments from the SMEs indicated a distinct preference for Oracle PeopleSoft Enterprise Solution, and

throughout the process the Evaluation Committee stressed quality, not price, and unanimously recommended that a Best and Final Offer be requested of Oracle USA, Inc.

The question that could be raised is "Should a request for Best and Final Offer be extended to SAP since they successfully completed the qualitative demonstrations?"

DOA legal counsel state that from a legal perspective the failure of the RFP to state clearly that the "10% rule" would apply to the qualitative demonstrations does not rise to the level requiring SAP's cost proposal be opened.

Aside from the legal question, procurement staff note:

- The "10% rule" has been used previously and is probably understood by vendors to be applied throughout the current process, which likely explains the fact that no vendor raised the question at any time prior to, during or following the demonstrations.

- Although the Evaluation Committee agreed that SAP would be acceptable if selected, it scored significantly below Oracle in some key areas and clearly was not the "best fit" for the software project.

- While it could be argued that the RFP as it appeared in VendorNet was ambiguous, the process was not. Internal procurement notes as well as frequent references during discussions with the Evaluation Committee make clear only those proposers scoring within 10% of the top score would proceed to the next stage. The reason for the "10% rule" is concern that a vendor could offer a "low ball" price, to win a contract, and then be unable to deliver as promised, or to seek additional compensation. The Oracle PeopleSoft Enterprise Solution scored highest during the demonstrations and no other proposal scored within 10% of that score. Therefore, no other proposer's cost proposal was opened because to do so would be contrary to the established process.

The Independent Evaluator can confirm that no vendor was heard to complain about the process or raise the question of whether its cost proposal would be opened. Also, it can be confirmed that while the Evaluation Committee agreed that SAP would be acceptable if awarded the software contract, the Oracle PeopleSoft Enterprise Solution was clearly the preferred package. Finally, notes taken by the Independent Evaluator throughout the process repeatedly note comments from the Project Manager emphasizing the ERP of the IBIS is a business plan and not an IT project; that selecting the vendor that will install software that will best meet the State's needs is the top priority; and that while cost is a consideration, it is more crucial that the system operate as promised.

Conclusion

Despite the lack of clarity in the wording of the RFP, the Independent Evaluator finds that the procurement process for the IBIS ERP system was open, fair, impartial and

objective and recommends that the DOA accept the recommendation of the Evaluation Committee and issue an Intent to Award to Oracle USA, Inc. for its PeopleSoft Enterprise Solution.

It is further recommended that in preparing the RFP for the implementation phase of the system that due diligence be given to the wording of the RFP.